

## Frequently Asked Questions About Deferral/Transfer of Leave Credits

***I have an employee retiring October 30, 2005, who will be paid accrued leave credits through November 20, 2005. Can his accrued leave payment be deferred until 2006?***

No. To defer into the next tax year, his accrued leave time must extend past the November pay period. If it does, he can only defer that portion of leave that extends past November.

***I have an employee retiring November 1, 2005, who will be paid accrued leave credits through May 2006 amounting to \$45,000. She wants to defer payment of all her leave and transfer the maximum amount possible to her Savings Plus account for 2005 and 2006. Is this permitted?***

Yes. However, you must pay your employee immediately for her accrued leave for the November pay period. She may transfer all or a portion of that amount to her Savings Plus account. Remember, the amount she wants to transfer and any prior payroll deferrals for 2005 can't exceed the 2005 maximum contribution limit (see chart below).

Your employee may defer, to 2006, her accrued leave payment for December through May 2006, but can't exceed the 2006 annual contribution limit. You will need to complete a correcting PAR document in 2006. Once the correcting PAR is processed in January and the money is transferred to Savings Plus, she will receive a check for the remainder of her leave accrual, less taxes. You must pay her by February 1, 2006, for the amount she deferred to 2006.

***Our employee is retiring December 1, 2005, and has leave accrual that extends into June 2007. He wants to transfer all his leave payment to SPP. I know he can defer the portion of his leave that extends beyond November 2005 and all of 2006, but what about that portion that extends into 2007?***

He can't defer leave payment past 2006. Even though your employee's leave accrual will extend into 2007, deferrals can only be made into the next tax year after his separation or retirement. He can transfer all or a portion of his leave payment that extends from December 2005 through November 2006 into Savings Plus up to the maximum allowed for the 2006 tax year (see chart below). You must pay him for any remaining leave payment in 2006, which will be taxed accordingly.

***When will lump sum separation pay post to the employee's Savings Plus account(s)?***

Lump sum separation pay is processed on the same monthly and mid-month cycle as payroll and posts to the employee's Savings Plus account(s) within two business days of receipt.

### Annual Contribution Limits

Tax Year	401(k)/403(b) Limit	457 Limit	401(k)/403(b) Age Based Limit*	457 Age Based Limit*	Annual Combined Total
2005	\$14,000	\$14,000	\$4,000	\$4,000	\$36,000
2006	\$15,000	\$15,000	\$5,000	\$5,000	\$40,000

\* Employees 50 or older may increase their annual contribution on an incremental basis.